



AGEWISELIVING | Eldercare Issues Resolved
By Choice, Not Crisis

**Barbara Friesner,
Generational Coach and Eldercare Expert**

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Presents

**Reverse Mortgages –
The New Retirement Strategy,
*What You Need to Know***

With

Dennis Haber

November 2008

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Barbara: Welcome everyone to the [AgeWiseLiving](#) teleseminar, **Reverse Mortgages – The New Retirement Strategy, What You Need To Know.**

My name is Barbara Friesner, and I'm a Generational Coach and the founder of **AgeWiseLiving** where our mission is to help family members help their aging loved ones make difficult decisions, and actually do what's in their best interest. In other words, I help families make elder care decisions by choice, not crisis. I'm also the author of, "**The Ultimate Caregiver's Survival Guide.**" In addition to a variety of programs to help family members, I also do monthly free teleseminars which is why we're here tonight.

However, before we start this month's teleseminar, having said that these are monthly teleseminars, I want to let you know that there will not be an **AgeWiseLiving** teleseminar next month; which is December. I can't believe it's almost December already. Therefore the next **AgeWiseLiving** teleseminar will be on Wednesday, January 14. And I will send out more information as soon as I have the information. In the meantime though, if you would please mark Wednesday, January 14 on your calendars, and please invite all your friends to join us, too. In fact while you're at it, why not put in the free **AgeWiseLiving** teleseminar on the 2nd Wednesday of every month.

So let's get started with this month's free **AgeWiseLiving** teleseminar. **Reverse Mortgages – The New Retirement Strategy, What You Need To Know.** And our special guest tonight is Dennis Haber. Hello Dennis.

Dennis: Hi!

Barbara: Hello. And let me tell you a little bit about Dennis. Dennis is an attorney and is one of the leading originators of reverse mortgages in New York state. He is Executive Vice President of Agency For Consumer Equity with offices in New York and Connecticut. His ground breaking book, *Piggy Bank Your Home Tap into the Power of a Reverse Mortgage* was released this year.

In addition, he wrote the chapter on reverse mortgages for *Happily Ever After, Expert Advice for Achieving the Retirement of Your Dreams*, as well as, the reverse mortgage chapter in *What CPAs need to know about Long Term Care*. In 2005 he submitted testimony to Congress on the "Reverse Mortgages To Help America's Seniors Act," and in 2006 he received from the *National Reverse*

Mortgage Lenders Association – an achievement award for exemplary service. He was also named to the Advisory Counsel to the largest reverse mortgage lender in the country. He has been frequently featured in the *ASK THE EXPERT* column in *Newsday*, and his articles on the topic have been published in various publications, including *New York Law Journal*, *Magazine of the Association of Mature Americans*, *The Senior Market Advisor*, *New York Mortgage Press*, *The Cooperator*, and *Real Estate Weekly*, to name just a few.

He is a frequent guest lecturer to banking, financial, accounting and legal trade groups and associations. So he is a true expert on the subject. I am thrilled to have you with us tonight. So again, welcome Dennis.

Dennis: Thank you. It's a pleasure to be here.

Barbara: And we're delighted to have you and what I wanted to start by asking is what is a reverse mortgage, and how does it work? I see ads on the television all the time for reverse mortgages, but what is a reverse mortgage and how do they work?

Dennis: Well, I think Barbara the easiest way to understand the program is to do what I do with my clients. I tell them, let's create a little image. And I say, imagine that you are shaking hands with your house, and entering into a partnership with the house. Silly picture, but that's what we do. And I say, look you are saying to your home, "I've taken care of you all these years," and imagine the home is replying; "Now it's my turn to take care of you." And that, in essence, is what the reverse mortgage program is all about. It's about the home returning its love in the form of equity which can be converted into cash. You know, seniors have lived in their homes 20, 30, 40 years, and they've built up a tremendous amount of equity.

So the question that we asked is what other program, Barbara, provides money in a variety of ways and as circumstance change, one can change how they access the money? So a senior can get the money in a lump sum, partial lump sum, line of credit, or get it in a monthly amount. Now here's a very distinguishing feature. When people in the days when money was easy to get or loans were easy to get, and people would apply for a mortgage and they would wonder when they made the application, gee, do I have enough income, do I have enough assets, is my credit good enough? Well with reverse mortgage, there's no income, assets, or credit requirements, no personal liability, no monthly payments to a lender, and no prepayment penalty. So you can see the reverse mortgage is a very different kind of a loan.

Barbara: Yes, it really is. So how does it work? You said there were different ways they can get it. They can get the lump sum; they can get monthly payments, that sort of thing. So how does that work? Do they still own the home?

Dennis: Absolutely. Those are one of the misconceptions that someone will ask the question about. Misconceptions are prevalent and the thing that one must know is that if one does a reverse mortgage, they will always, always own the home. The bank will never own the home.

Barbara: Okay so how does that work? So they get a reverse mortgage and they still own the home, and if they pay it all back, then they can be done with it?

Dennis: Yes, it is like getting any other kind of loan in the sense that when one gets a loan—let's say that I go to my bank and I get a loan on my home. Well they have a lien; they have a mortgage against my house. Same thing with a reverse mortgage. The reverse mortgage company has a lien against the house. When that loan gets paid back, that lien disappears, it goes away. That loan is satisfied. So it works the same way with a reverse mortgage.

Barbara: Okay so then what makes it different from a regular mortgage?

Dennis: Well, what makes it different is what we just talked about, that there's no income, assets, or credit requirements, no monthly payments to a lender, there's no prepayment penalty, and no personal, and this is key, no personal liability on this loan. So what does that mean? Let's assume for argument sake, somebody gets a reverse mortgage and at the time that they get it, let's say the house is worth \$400,000 dollars. Many years down the road, when the loan becomes due, the house is worth let's say, \$100,000. So it decreased in value. So we have a \$400,000 house now that's worth \$100,000 and let's say we owe \$300,000 on the reverse mortgage. So the house is sold. It brings in \$100,000. But what happens? We owe \$300,000, right? So when the house is sold, the lender gets the \$100,000, let's assume there is no selling cost, etc. And the lender then goes to the Federal Government and says, by the way, you owe us the difference. That's what happens. There's no issue with the seniors estate, or their heirs. They are not responsible for the payment of this loan as long as the house is sold in a legal transaction. So it's very different.

Barbara: Yes, it is very different. You've mentioned seniors several times. Who is eligible for a reverse mortgage?

Dennis: Well the eligibility requirements, that's a great question. The eligibility requirements are very few. One must be at least sixty-two years of age, they must own a home, and it must be a primary residence. Those are the three eligibility requirements. So let's see how these principles work. So let's say Barbara, we have a husband and wife, they own the home, and it's their primary residence. The husband is, let's say, seventy-two, the wife is seventy. Can they get a reverse mortgage?

Barbara: It sounds like they can.

Dennis: The answer is yes, because they both meet, they meet all of the requirements, right?

Barbara: Yes.

Dennis: Now let's say we have a husband and wife, they both own the home, it's the primary residence of both, and the husband is seventy-two, and let's say the wife is sixty. So here's the question. Can they get a reverse mortgage?

Barbara: I don't know!

Dennis: Well let me give you the answer. How's that? The answer is no, because both husband and wife were not of reverse mortgage age.

Barbara: Oh.

Dennis: Now watch this though. Let's say we have husband and wife, they both own the home, but they've been separated for many years. And the husband lives in the marital residence, and the wife lives out of state. Can the husband and wife get a reverse mortgage on that marital home?

Barbara: I say yes because it is not her primary residence.

Dennis: Well the answer is no, because of your answer. It's not her primary residence.

Barbara: Oh and they both own it.

Dennis: Right, they both own it so they can't. Now let's just change one thing. Let's say the wife transfers her interest in the home to the husband. So now the husband owns 100% of the home. Let's be clear now. The wife who was sixty transfers her home to the husband, and let's say the wife who lives out of state, transferred her interest to the husband as well. So both the sixty-year old, and the one who lives out of state, transferred the interest that they had in the homes to their husbands. Can the husbands now get the reverse mortgage?

Barbara: Yes.

Dennis: You got it! Very good. Yes and the answer is, absolutely.

Barbara: Now if she's sixty, she would have to transfer it out, there's no stipulation where she can live there, because they're married she can do the reverse mortgage.

Dennis: That is correct.

Barbara: And are there any other stipulations like if there was a dependent child, or grandchildren, or anything? It has to be the person that owns it that has to be sixty-two?

Dennis: That's a good question. Yes, it has nothing to do with having a disability, or dependent children, its age based.

Barbara: Okay. Good, okay, and you said that was at least sixty-two.

Dennis: Right, minimum age is sixty-two.

Barbara: Okay, good and then how much money can a senior get from a reverse mortgage? I mean are there any minimum or maximums, or anything like that?

Dennis: Well, I wouldn't quite call them minimum or maximums, but let's understand some basics. Number one, the older one is, the more money one can get at the time they are closing on the reverse mortgage. So, a seventy-two year old, for example, will get more than a sixty-two year old.

Barbara: Why?

Dennis: Because a lot of people think it should be the other way around—the younger you are, the more you get. The reason for it is actuarially sound tables because if it was the younger you are the more you get, then there is more of a likelihood that the value of the house when the house is ultimately sold, wouldn't be sufficient to pay off the indebtedness that would grow for twenty or thirty years, or forty years, or whatever the case may be. So the older one is, the more money one can get.

Barbara: And if you're, let's say you're eighty, and you get some money, and then god forbid you die the next year, what happens to the money that you took out of the house that you got in the reverse mortgage?

Dennis: Are you asking me if the money that was taken was spent, right? In other words, they took all of the money they could possibly take out of the reverse mortgage and spent it. And then they passed away?

Barbara: Well, or didn't spend it; or gave it to the kids, or whatever.

Dennis: Well if they gave it to the kids, it is the same thing as spending it.

Barbara: Oh okay.

Dennis: So the answer is whatever is taken out of the proceeds gets paid back with incurred interest over time.

Barbara: I don't understand. Gets paid back to whom?

Dennis: To the lender when the loan becomes due. So let's just backtrack a minute, Barbara, because there are three things that determine how much—I want everybody to understand how the determination is made how much money one can get. So there are three things that actually determine how much one can get. The age, let's assume husband and wife, the age of the youngest borrower, the value of the home up to a certain limit, and something called the expected interest rate. And the expected interest rate, for our purposes, let's just say it's based on the bond market; what happening in the financial market place. So those three things taken together give us a number. So let me give you an example, if I may.

Let's assume that today a sixty-two year old is applying for the reverse mortgage. Question: How much money can they get? So the answer is; the sixty-two year old would have access to about \$230,000 dollars after closing costs.

Barbara: On a house that is worth how much? Or does that matter?

Dennis: It does matter. Let's say for our purposes, the house is worth, at least \$417,000 dollars. Now you're going to say well that's a strange number you picked out. Well just recently, the HUD came out with a National Lending Limit and in reverse mortgages what that means is, a certain amount of the value of the home is counted toward determining how much money one can get. So let's say we have somebody living in a \$500,000 dollar home. And the appraisal comes in at \$500,000 dollars. What FHA, these are government insured loans, will say in essence is, that's nice that the appraisal came in at \$500,000 dollars, but for our purposes, we're going to count \$417,000 dollars of that \$500,000 dollar home in determining just how much money one can get. So based on age, and based on value, and now you can understand a little better when I said value "up to a limit."

And so, just to continue with that, let's say we have somebody living in a million-dollar home. Well the same thing applies. They don't get any more money because FHA says we're going to count a maximum of \$417,000 dollars, \$417,000 of the value rather, in determining how much money one can get. So \$417,000 of the million dollar value will now be counted. So just because one lives in a higher value home, doesn't necessarily mean they're going to get more money out of the reverse mortgage. Are you with me?

Barbara: I am!

Dennis: Okay, so based on age and value, and that thing we call the expected interest rate, which is based on the bond market, the current expected interest rate is 5.57%. So as I said earlier, a sixty-two year old can have access to

\$230,000, and let's say an eighty-two year old for that matter, could have access to \$305,000, and a ninety-two year old can have access to over \$340,000. But remember, we said earlier there are a variety of ways to access the money. So let's say somebody didn't want a lump sum, which is certainly not a good idea, by the way.

Barbara: It's not a good idea to have the lump sum?

Dennis: No because once you have that money, and sometimes it burns a hole in the pocket, you know what I mean?

Barbara: I do, exactly.

Dennis: So you can get it on a monthly basis. One way to get the money on a monthly basis is called a tenure payment. What that means is as long as somebody is in the home using it as their primary basis, somebody being the husband and wife in our example, they will get—a sixty-two year old for example can get close to \$1300 a month, a seventy-two year old can get about \$1600 a month, and going up to a ninety-two year old who can get about \$4400 a month, that amount will never stop. So let me be clear on this. Let's assume all the time the value of the home plummets. It's not going to affect how much money they will get as long as they're in the home using it as their primary residence. In the case of that ninety-two year old, \$4400 dollars even if, I said for example the ninety-two year old if they took the lump sum would have access to some odd \$340,000 dollars, even if—and let's say there is a lot of longevity in that ninety-two year old, and they pass their life expectancy—even if that \$4400, once it accrues, exceeds that \$340,000 dollars, the money will never stop. Its fabulous, a fabulous way to get the money.

Barbara: That is great, yeah.

Dennis: So you can see, there are a lot of different ways for a senior to benefit because the reality is with social security being what it is, with pensions being devastated, where else can a senior go to access money? And the answer is the reverse mortgage.

Barbara: That's very interesting. Now are there cost associated with the program? Out of pocket cost in order to put this into place?

Dennis: Well there are some cost, yes. The out of pocket cost are relatively few. We have typically counseling. Every senior that gets a reverse mortgage has to be counseled and there are HUD-approved agencies that will counsel a senior. In other words, there is a little education component attached to this. They'll hear things about the reverse mortgage and the counselor really wants to know that a senior has a sense of what they're getting into, what this is all about. So the counseling portion of this is important, and it's a good thing, because if you have

a salesman or a loan originator who really doesn't know their stuff, that could be caught at the counseling stage. So it's a good thing. Counseling, with a new law that was passed, is now, 100%, the borrower's obligation, and typically it has to be paid prior to closing. At the time of the counseling, that \$125 dollars has to be paid.

Barbara: And who does the counseling? How do you know who a good counselor would be?

Dennis: Well we are required to give our clients a list of counseling agencies, and the way it's done today primarily is over the phone. It's a conversation of about an hour, forty-five minutes, and after the counseling is completed, the counselor will send the client a counseling certificate, and that is how we know that the counseling has been done. And once the counseling's been done, we can start the actual processing of the loan; meaning we can order the title and the appraisal.

Barbara: Okay and any other cost that go with it?

Dennis: Well the cost, the general cost—let's take the range of a home value of between let's say, \$200,000 and you know, that \$417,000 number that we talked about before. The closing cost, based on those two values would range relatively from about \$11500 to \$18500 in closing cost. I will tell you Barbara that a lot of people say, you know, the reverse mortgage cost too darn much, and it's really not a bargain at all. Then we have other people that say it is the greatest deal on earth, in spite of the cost. And what I've learned in doing this over six years now is that it is only the client that determines what it is really worth to them.

And I think what is very, very, very important to note, is that we have professionals who advise clients all the time. And what the professionals do is they examine the program, and they make a huge mistake by looking at the cost factor that we just did, alone and that's all the look at. "*Well Dennis, what are the closing cost?*" "*Oh, \$18500.*" "*\$18500!*" And without looking at any of the other aspects of the program, they tell the client, don't do it. And they think of the reverse mortgage as a one-dimensional thing, and I think this is a critical, critical mistake that people are making because if we look at what is happening, what the reality is today in the mortgage marketplace, we will find that hundreds and hundreds of thousands of seniors that went to their bank, their neighborhood bank, to get that easy, conventional mortgage, we will find today that hundreds of thousands of these people are either in foreclosure, or behind in their mortgage. And had these same people been advised to get the reverse mortgage, they'd be living an entirely different life today. What I say to clients is I say look, if people live their lives the way we determine if a reverse mortgage is appropriate, here's what your life would be like. And this is what I say to them, I say look, when crossing the street, you always look one way and not the other way. When starting a business, you would focus on income, and ignore the expenses. When

hiring a lawyer, or an account, or financial planner, I say to them look, you would look at the fees and ignore the expertise. My point is this. When we look at one thing at the exclusion of everything else, we really don't get the full picture. Wouldn't you agree?

Barbara: Oh I absolutely agree. Now one of the things that you mention was about the mortgage. If someone has already, if the senior has already gotten—has a mortgage and they're in foreclosure or very close to that. Can they still get a reverse mortgage?

Dennis: It depends. And the answer is we've done that. We've helped people who have been in foreclosure. It depends what the balance is because in this case remember, the proceeds from the reverse mortgage have to be sufficient enough to pay off that indebtedness that currently is on that property. And when that happens, the answer is yes, we can do it. When the existing mortgage balance is higher than what one can get from the reverse mortgage, the answer is, it's too late.

Barbara: Okay. Now one of the things that I sort of get a sense of is that with mortgages, the traditional mortgages from a bank being what they are today, that there are probably a lot of people who have gone from doing those to doing reverse mortgages. So how do you choose the right loan officer, the right company? How do you know that you've found somebody who really knows reverse mortgages well enough to do a good job for you? And who has gotten into it yesterday.

Dennis: That a heck of a question, I have to tell you, and it's a very good question. It's probably the most important question you're going to ask me because I wish I could say there's a magic bullet, and there isn't. I think a good loan officer creates what I call a be "B Smart" environment. It's an environment where the loan officer, or the salesman, cares about the senior and here is what I believe that environment looks like. Now "B Smart," that's S as in Sam, M as in Mary, A, R, T as in Thomas. A "B Smart" environment.

The "B" in our acronym stands for the blueprint, and I think that a loan officer has to get inside the clients head and see things as they see them. And I think it is incumbent of a loan officer to ask questions to find out what the challenges are, to find out how long they've had this difficulties, to find out what the senior has done about them and how serious is the problem. And they need to look at, and focus on the cost of keeping things as they are; both from an emotional perspective and a monetary perspective. And that is very critical. Because I'll tell you as you said earlier, there are a lot of people who are now getting into this field who don't care about these things; who don't care about asking questions. All they care about is getting the senior to sign on the dotted line.

Now the “S” in our acronym stands for “Salesman,” and it’s important for the senior and the family members to know it’s really the salesman that’s the quarterback because they set the expectations of the client and they are the ones that really provide all of the information, or most of the information that the senior is going to get. And I tell clients all the time if you hear from anybody, *trust me*, or *that’s not important*, or *don’t worry*, or questions are discouraged, you run, not walk, you run the other way.

The “M” in our acronym stands for “most important decision,” and I feel that the key decision is not whether to get a reverse mortgage or not, but who is chosen to help that person get the reverse mortgage. In other words, who are they hiring? Who are they looking to? Who is the salesman they are talking to? And today, in the environment that we’re in, and you look at all of the advertising that is out there, everybody calls themselves an expert. Even the people that just started, even the neophytes, the beginners, and people that don’t even care about our seniors. They call themselves experts. And to my way of thinking, an expert is very simple. Who is an expert? An expert is somebody that makes things easy because the reverse mortgage concept is difficult. The terminology is different, and that’s why it is important to use certain tools. So what I do Barbara, is I use certain tools like a seesaw to help explain that expected interest rate concept. I use words like magic number, and starting point, rather than the typical industry buzz words of principal limit, and maximum claim amounts. So an expert, again, is somebody who cares and makes things easy. Wouldn’t you agree that this is a good definition of an expert?

Barbara: Yes, and who knows their information well enough to make it easy. Yes, absolutely.

Dennis: Absolutely. The “A” in our acronym stands for “asking questions and looking for alternatives.” It’s very important to encourage questions and to explore the alternatives. What I say to my clients—and you know, we have them in the conference room, or my office—and I’ll say to them, this is funny...I’ll say to them, “Did you bring your friends with you?” and they’ll look at me like I’m nuts because they know the only people in the room are let’s say the two of them and me, you know? And they’ll say, “What are you talking about?” I’ll say, “Well, did you bring your friends?” And they’ll say “NO!” And I’ll say, “Well, just so you know, no matter what you do in life, no matter where you go, you always have six friends that you can always call upon, and they are who, what, when, where, why and how. If you’re not certain of what to ask, just think of one of those words and a question will come to mind. They like that, and they understand that, and they appreciate that.

And it’s also important to look at options. I’ll give you a perfect example. Recently, I had a client who took out a reverse mortgage, and they used the proceeds to build separate living quarters in their daughter’s home. And when the house was ready, the parents sold their existing home, paid off the reverse

mortgage, moved in with the daughter, and there was plenty of equity left over. It was the perfect way to go.

Barbara: That's a good idea.

Dennis: The "R" and this is probably the most important of all, the "R" in our acronym stands for "relationships." And here's the key question: Are you being treated as a customer or as a client? It is a fundamental question because if you are a customer, if that salesman, if that loan officer is treating you as a customer, you are being sold. And what happens when you are being sold? You are told just about anything so you will what? Buy! And what's happening in the reverse mortgage industry Barbara, is that so many people, so many companies rather, have created these "call centers," and when seniors get calls all across the country, they are a number, they are a "thing" because the way the call centers work is that they are divided into teams. And the team that can cajole, can get the most seniors to sign up, is the team that wins. So don't you think that the goal here is simply say what you've got to say, do what you've got to do, but get that senior to sign. That is what's out there, and I think it is being abused and unfortunately, that is what's happening.

On the other side of the coin, and this is where what I firmly believe in, it's important to treat out seniors as if they were clients. Because when you treat a senior as a client, your focus is what is in the best interest of the client. You discuss the pros and the cons, the alternatives and you're going to even tell them, you know what...the reverse mortgage is not appropriate in your situation. And character and competence comes in to play. So I think it is very critical to distinguish when somebody's being treated as a customer versus a client.

And finally, the "T" in our acronym stands for "teamwork." It's important for that person that is hired to know the difference between being a turtle and the hare because the reverse mortgage process is not a sprint; it's a marathon. And it is critical to go at the pace of the client, and not at the pace that the salesman wants to go. I believe that getting a reverse mortgage is like a parachute jump. You've got to get it right the first time. Right? And sometimes people say, they say Dennis, is there one thing, come on, there's got to be one thing a client can do, or somebody can do, to protect themselves. And the only thing that I can say is to get educated, surround yourself with family and friends that can help you digest everything, because like I said earlier, the terminology is different, the concepts is different, and the one question if a senior would ask one question and one question only, here's the question that I would have them ask. And the question is, "What is the expected interest rate?" Period. And why is this important.

This is an actual situation that I ran up against. I got a call from a client, and the client asked me to come over. They said, you know, we were talking to another company and we think there's something funny going on. I said well how close

are you to closing? He said well we're pretty ready to close. I said well if things look okay, I'm not going to come in, you're going to close. Why should you start this from scratch, and you know, from the beginning? So I go over there and I look at the paperwork and they tell me, we have an existing mortgage and what this company is telling us, we'll call them Company A, what Company A is telling us is that there's not enough proceeds from the reverse mortgage to pay off our loan because our loan is so high. And so they're telling us we have to go to our bank and take \$30,000 dollars or so of our savings, and use that to help pay off the existing mortgage. So I do my own analysis and here's what I found. I discovered that if they went with me, not only was there enough money to pay off the mortgage, but they would even have additional money to put in their pocket, if they wanted to. So now you've got to be asking yourself the question. Two reverse mortgage companies. One company says they have to spend \$30,000 of their own money, another company says they don't. Why? How could this possibly happen? Here's the answer. The expected interest rate. Remember we said that the expected interest rate helps determine how much money one can get? And that the expected interest rate is based on the bond market? Well, there are companies out there that are putting clients in the highest expected interest rate program that they could possibly put them in. And remember my seesaw? When somebody is up on top, somebody is down below, right? So the higher the interest rate, the less money you get. I put them in the lowest expected interest rate, using the lowest expected interest rate that I could use. They got more money. And why would a reverse mortgage lender put somebody in a high, high interest rate? Because they get more money on the back end when they have a borrower that's in a high interest rate program. Sad. Sad. That's very sad.

Barbara: Yes, that's very sad.

Dennis: But that Barbara is what's out there. Now don't get me wrong. There are a lot of fine companies out there, but you have to look; you have to be careful.

Barbara: Now should somebody go to two or three reverse mortgage specialist and talk to all of them and look at it that way? Is that a good way to do it?

Dennis: That's a great question. If they're uncertain about who they are dealing with, I mean listen, there are some people in our industry who have been doing it for a long, long time and have a good reputation. If they're not certain, absolutely. Talk to a few different people, get a sense and just ask that one question, *what is the expected interest rate*, and I think that the difference in the number that people get, will be astounding. And that will help them chose the right company.

Barbara: Okay, one more question and then I want to open it up for questions because I understand there was a new law passed by Congress over the

summer and that talks about reverse mortgages and how does this law affect reverse mortgages?

Dennis: There was a new law, as you said, that was signed by the President in July, called the Housing and Economic Recovery Act of 2008. And in essence what it does is it lowers the origination fee that we can charge. So I thought this was a pretty good thing because I was hoping it would get some of the mescreance out of the industry because all they look at is fees and so I thought that was pretty good. For the very first time, what we're going to be able to do—and this will happened in January of 2009—if somebody wants to purchase a home, they could use the FHA government-insured reverse mortgage to do that.

Barbara: They can use a reverse mortgage to purchase a home?

Dennis: Yes! That's exciting! That's going to take affect in January of 2009. Also, if somebody has a co-op apartment, the FHA reverse mortgage could be used to pull some of the equity out of that co-op as well. You can't use the reverse mortgage to purchase a co-op, but you can use it to pull equity out once you own it.

Barbara: And so that answers another question that I forgot to ask, and that is when we talk about homes, this can also be co-ops and condos.

Dennis: Correct. That's a very good question and the answer is yes. And what the program also has done; it eliminated a program I did not like, never liked it. It was called the HECM Advisory Program and basically that was an easy and lazy way that companies were marketing their home and it got too many people who didn't know anything about the program involved in the industry and so that is gone and that's a good thing. What we also have is no longer can anybody who gets a reverse mortgage and at the same time purchase an annuity. That is prohibited and you may say Dennis, why would somebody want to do that to begin with?

Barbara: Because basically this is an annuity if you get it every month, if you opt for the program where you get it every month, what you've done is get an annuity, right?

Dennis: Exactly. So the question is why would you want to purchase one? Well you know, by in large the media I would say, has come to the conclusion that reverse mortgages are good, and there has been a lot of positive press. But you still get some negative press as well, and in particularly, March 2 of this year, and in January, we had on NBC Nightly News, there were two exposes about the reverse mortgage industry. And basically, we had people out in California who were there when the client got their reverse mortgage and used the proceeds to purchase a deferred annuity. So in essence, what that meant was that the client had access to all this money, they spent it on an annuity that they couldn't touch

for seven years. So here they were basically in a position before they started the process with no money, because all the money was tied up in an annuity that they couldn't touch. And that was what was going on in this industry and people starting saying; some of the papers and some of the media, were saying that reverse mortgages were bad, and they confused two things. It's not that the reverse mortgage was bad; it's that some of the people in the industry were bad. And as you can see from what we've talked about, the reverse mortgage really becomes a life saver for a lot of our elders who have the desire to stay in their home, and they want to be near their doctors, and they want to be near their children, and it's a wonderful thing.

Barbara: That's terrific and it does sound wonderful and I can't thank you enough. What I want to do is make sure we leave enough time to take some questions, but before we do take any questions, I do want to let anyone that's listening know that if you would like any additional information about reverse mortgages from Dennis, and you want to contact him directly, you can either call him directly at area code 516-551-2189, and that's if you have any questions about reverse mortgages that you don't think of tonight. So you can either call him at 516-551-2189, or you can email him at denhaber@aol.com.

I also want to remind you that just because you know all about reverse mortgages now that doesn't necessarily mean that your aging loved one will be eager to talk with you about it. So to help you with your aging loved one about reverse mortgages or for any other elder care issues, I hope that you will call me for a free, get-acquainted conversation to see how generational coaching can help you to resolve your elder care issues by choice, not crisis. And if you're interested, you can call me toll free at 1-877-AgeWise, or you can email me at Barbara@AgeWiseLiving.com.

I also want to remind everyone that there will not be an **AgeWiseLiving** teleseminar in December. Can you believe we are almost in December? But therefore, the next **AgeWiseLiving** teleseminar will be on Wednesday, January 14 and I will be sending out more information as soon as I have it. So what I want to do right now is anyone who wants to ask any questions, please un-mute yourself. Do we have any questions? While we're waiting, I did get a question yesterday and I wanted to ask it in case he didn't make it to the call. I got a question from somebody whose mother is living in an assisted living community. She still owns a house; actually it is a trailer on land, that they are trying to sell. But she is already living in the assisted living community. The question is, is it possible to get a reverse mortgage which they would then—until they sell the house? Now my guess, from what you'd already said is that you have to be living in the home, is that true?

Dennis: Absolutely correct. Once they are in an assisted living facility, that's now their primary residence, and they would not be eligible for the reverse mortgage.

Barbara: Okay so they have to actually still be living there. Okay, fair enough and anybody else? Does anybody else have any questions?

Caller No. 1: Barbara I have a question. This is Georgia. I missed part of the first of this so I apologize if I'm asking something that you've already covered. But I would be interested in knowing, state to state, are the rules and regulations for reverse mortgages, do they change from state to state, or is it basically the same?

Barbara: Oh that's a good question, yes, thank you.

Dennis: That an excellent question and the answer is the basic concept is the same in every state. Now each state may have their own set of laws that, as far as, you know, disclosure forms, and little nuances that may change a few things, but primarily, the overall basics of the program are the same because this is a federal program, but there are little nuances with each state and there could be little differences.

Barbara: But it wouldn't change the program substantially, it might just be requirements as far as disclosures, etc.

Dennis: Exactly, exactly. Like for example in New York, we have our own set of disclosures that we give out and each state probably has their own set, as well. But this is a federal program so the basics, the guts if you will of the program, are the same in each state.

Caller No. 1: Well what prompted the question was when you were telling about some of the ones out there that are not good programs—the programs is good, the people are not—and because this is a federal program, I thought well I wonder if from state to state if it is regulated differently, are there some things that I need to be warned of, or made aware of, but I'm sure you probably covered most of that. I'll go back and listen to this in-depth.

Dennis: Let me add just one thing because I think your concerned if I'm hearing you correctly, how do I know if I'm picking or dealing with good people.

Caller No. 1: Yes, this was actually a two-part question actually, but that was at the crux of it.

Dennis: Right and the answer is there is a—many states now are going to licensing of loan offices. There are going to be continuing education credits that everybody has to take, and there will be federal registration of loan offices, as well. Now that doesn't get to the point of character and competence necessarily, buy anybody that is bad; there will be criminal background checks, for example, which is a good thing. So that will help a little bit but it doesn't eliminate the hard

work that one must do to make certain that they are picking the right people. It's just the same way we wouldn't go to just any attorney, or any accountant, or financial planner, right? We would try to find the one that had the good reputation; they're just known to be good.

Caller No. 1: So do your homework.

Dennis: Do the homework, right. There's no substitute for that.

Barbara: And I would imagine talk to friends, talk to people you know in the community, or your lawyer and people like that who might also be able to make recommendations on their experiences.

Caller No. 1: Okay, thank you very much.

Dennis: I hope that helped.

Caller No. 1: It did. Thank you.

Barbara: Thanks Georgia. Any other questions? Okay, well then again I want to thank our special guest, Dennis Haber, and I want to remind you that if you would like any additional information from Dennis, if you want to contact him directly, you can either call him at 516-551-2189, or email him at denhaber@aol.com. And I want to say goodnight from Barbara Friesner and **AgeWiseLiving** and I'm glad you all joined us. And I want to wish you all a very happy Thanksgiving and happy holidays and a really joyous New Year and I will see you next year! Thanks so much for joining us, good-bye.